



EASTERN SHIRES PURCHASING ORGANISATION (ESPO)

AUDIT FINDINGS REPORT

YEAR ENDED 31 MARCH 2024

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PRIVATE AND CONFIDENTIAL

Management Committee
ESPO
Grove Park
Barnsdale Way
Leicester
LE19 1ES

30 October 2024

Dear Committee Members

REPORT TO MANAGEMENT COMMITTEE

During the course of our audit for the year ended 31st March 2024 certain matters arose that we are required to communicate to you. Within this report we document these points but also outline certain recommendations which we feel may be of value to you.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's (FRC) Ethical Standard and no additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the Management Committee of Eastern Shires Purchasing Organisation and must not be shown to third parties without our prior consent. No responsibilities are accepted by TC Group towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all members of the Joint Committee's staff who assisted us in carrying out our work and please do get in contact should you wish to discuss further any matters contained within the report.

Yours faithfully

TC-Group



AUDIT OVERVIEW

| AUDIT APPROACH | AUDIT STATUS | ANTICIPATED AUDIT OPINION |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The audit was performed in accordance with the International Standards on Auditing (UK) (ISA's). Our general audit approach was determined by our assessment of risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the group operates.</p> <p>During the audit we updated our understanding of the business and it's operating environment, we reviewed the design and implementation of key internal controls and performed substantive audit procedures that focused proportionately towards identified risk areas.</p> | <p>Prior to issuing our audit report we require:</p> <ul style="list-style-type: none">• A letter of representations signed on behalf of the management committee,• Confirmation from management of any post balance sheet events.• Latest management accounts and bank statements• Board minutes since March 2024 | <p>We confirm we have maintained compliance with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements.</p> <p>We anticipate that we will issue an unmodified audit report, subject to the satisfactory clearance of any outstanding matters outlined in this report.</p> |

ETHICAL CONSIDERATIONS

The Financial Reporting Council's (FRC) Ethical Standard and ISA UK 260 require us to give you full and fair disclosure of matters relating to our integrity, objectivity and independence. In this context:

- We confirm that there are no significant facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention.
- We have complied with the FRC Ethical Standard and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the FRC Ethical Standard.



SIGNIFICANT RISK FINDINGS

| AREA | AUDIT WORK DONE | AUDIT FINDINGS |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated as a result of improper revenue recognition.</p> | <ul style="list-style-type: none"> • Review of revenue recognition policies of all revenue streams to ensure compliance with FRS 102. • Substantive testing of material revenue streams both during the year and around year end to ensure revenue existed, was complete and recorded in the correct financial year. | <p>Framework revenue During our framework testing we found some frameworks did not have retained contracts; therefore, alternative documentation was sought. We spoke with management over the difficulty in collecting this revenue stream and understand a new committee has been set up since year end that is focussing on improving this process.</p> <p>Gas revenue The accounting policy for gas revenue has previously been to recognise revenue a month in arrears. Whilst not strictly correct under FRS 102, in previous years the differences in the months which straddle the year end has been trivial such that it has not been an issue.</p> <p>The increase in gas sales and associated costs has amounted in a material difference for the current year. Upon discussion with management, the accounting policy has now been amended to ensure that the accounts show a true and fair view, and a prior year adjustment processed to reflect the change in accounting policy as required.</p> <p>We did not identify any other significant issues to report.</p> |

SIGNIFICANT RISK FINDINGS

| AREA | AUDIT WORK DONE | AUDIT FINDINGS |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Management override of controls Under ISA 240 there is a presumed risk in relation to the overriding of controls by management.</p> <p>Certain balances with the financial statements require significant management judgement and estimation, and as such presented heightened audit risk.</p> | <ul style="list-style-type: none"> • Review of processes adopted by management in arriving at significant accounting estimates and judgements. • Review of journal postings during the year and around year end. • Review of any unusual and unexpected transactions identified throughout the audit file. | <p>We did not identify any significant issues to report.</p> |
| <p>Property valuation Due to the material balance subjectivity required in relation to valuation of property we have selected as a significant risk area.</p> | <ul style="list-style-type: none"> • Review and tested assumptions applied by third party property valuer for appropriateness • Corroborated amounts recorded to third party report | <p>A revaluation of £700k has been reflected in the accounts for the year ended 31 March 2024, in accordance with the valuation report provided by LCC.</p> |
| <p>Debtor recoverability Given debtors is a material balance and subjectivity required in relation to determination of whether amounts are recoverable, we have selected this as a significant area for testing.</p> | <ul style="list-style-type: none"> • Review of after date sales receipts. • Review ageing of debts and any potential provision | <p>We did not identify any significant issues to report.</p> |

OTHER KEY AUDIT ISSUES

| AREA | AUDIT WORK DONE | AUDIT FINDINGS |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Post balance sheet events We have a responsibility to consider the impact of events after the reporting date on the financial statements, to the date the audit report is signed.</p> | <p>We performed post year end reviews of the following:</p> <ul style="list-style-type: none"> • Management accounts • Board minutes • News reports • Ledgers / statements • Statutory filings | <p>We are not aware of any post balance sheet events to date which would require disclosure in the accounts.</p> |
| <p>Going concern We are required to report on the appropriateness of management's assessment of going concern.</p> | <p>We reviewed management's assessment of whether the company is a going concern. We corroborated the assessment through reviewing the following:</p> <ul style="list-style-type: none"> • The results of the year • Post year end management accounts • Current financial position | <p>We consider management's assessment of going concern to be appropriate.</p> |
| <p>Related Parties We are required to consider the risk of material misstatement associated with related party relationships and transactions.</p> | <p>Related party forms were obtained from management and corroborated to supporting records. Completeness of these disclosures was considered through reviewing ledgers and other records.</p> | <p>We have reviewed the disclosures in the financial statements to ensure disclosures are accurate, complete and compliant with FRS 102, no issues were identified in relation to this.</p> |

INTERNAL CONTROLS

To enable us to express an opinion on the financial statements our audit included consideration of internal controls relevant to the preparation of the financial statements. Our consideration of these relevant internal controls is required to enable us to identify and assess risks from which we design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit and are required to report to you.

| CONTROL POINT | SIGNIFICANCE | IMPLICATIONS | RECOMMENDATIONS |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| During our payroll testing we noted that contracts or personnel files are not updated for pay increases. In addition, there was one employee from our sample where no official identification (passport, driving license) was held on file. | Low | If there is no written evidence of any changes to pay or contract terms, this could give rise to challenges if a query was ever raised by an employee. Employers are required to carry out proper right to work checks and therefore should retain identification on file for all employees. | Whilst we understand pay bandings are in place, however any changes to salary or contract terms should be reflected in writing, and signed by both parties. An official form of identification should be held for all employees to ensure compliance with right to work checks. |
| Transactions have been posted using date of entry as accounting date rather than the tax point per invoice. | Low | There is a risk that cut-off has not been correctly applied and that VAT fillings are not accurate. | We recommend that all invoices are posted showing tax point as accounting date. |
| We understand that many of the fixed asset disposals during the year relate to items that were significantly past their useful life and should have been disposed of in prior years. | Low | There is a risk that fixed assets and the related depreciation and amortisation charges have been misstated if not appropriately reflecting the useful economic life of an asset or indeed assets physically held. | We recommend that assets are depreciated over their useful life and assets are disposed of when no longer held or used by the business. |
| From procedures performed it was noted that the fixed asset register is only updated annually. | Low | This gives rise to the risk that fixed asset register is not complete and accurate throughout the rest of the year. | We recommend that the fixed asset register is updated on a regular basis and reconciled to assets physically held. |

INTERNAL CONTROLS

| CONTROL POINT | SIGNIFICANCE | IMPLICATIONS | RECOMMENDATIONS |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There were multiple variances highlighted at stocktake between the stock listing and counted items. | Medium | The need to adjust year end stock at stock take suggests a weakness in regular control of stock. We have reported an unadjusted misstatement in relation to the extrapolated difference of £312k. There is a risk that stock is being overstated and ESPO could fall short of future orders as a result. | We recommend that stock counting performed on a more regular basis and you review the controls and procedures in place to mitigate the risk of any discrepancies. |
| During our walkthrough of gas sales we could not obtain access to the portal to view supplier invoices to customers. We were able to satisfy our testing through other documentation, however the portal should be accessible. | Medium | There is a risk that invoices are incorrect, resulting in a misstatement of revenue if these cannot be verified to the portal. | We understand this was a temporary issues which has now been resolved. |
| During our stock cost testing, we could not view a purchase invoice due to a system change, which meaning the information was no longer accessible. | Low | The value of this was trivial however, however you do have a duty to retain supporting documentation. If the amount cannot be substantiated there is a risk that the stock valuation may be incorrect on such items. | We recommend that all invoices are downloaded and retained outside of customer/supplier portals so that you retain access to them for as long as required. |
| From our sales testing we noted that up to date agreements are not available for all framework sales. Alternative documentation was viewed as part of our testing. | Medium | Without current agreement, there is no formal documentation which dictates the relationship between ESPO and its suppliers. Due to this, rebates may be incorrectly received or not received at all. | Ensure up to date agreements are in place for all suppliers. |

INTERNAL CONTROLS

| CONTROL POINT | SIGNIFICANCE | IMPLICATIONS | RECOMMENDATIONS |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| We understand that no invoices are processed in the final week leading up to the year end. | Medium | Invoices are being accrued despite being received pre year, which could give rise to liabilities not being correctly stated. | We recommend that you ensure there is sufficient staff/time to process invoices to improve the quality of reporting and to ensure all balances are accurately reflected at the year end. |
| Whilst testing a sample of GRNI accruals we noted some items where the cost on the purchase order did not agree to the invoiced amount due to pricing input errors. | Medium | Whilst the amounts were immaterial, there is a risk that accruals are not being recorded at the correct amount. | We recommend that a review is undertaken to ensure that all product costs on the system are correct and agree to latest pricing. |
| <p>During our review of VAT, it was noted that climate change levy and Postponed VAT has been included within Box 6.</p> <p>We also noted 2 months of imports were incorrectly classified, however this was rectified in period 3.</p> | Medium | Whilst box 6 and 7 do not form part of the VAT calculation and thus no impact on the VAT payable or receivable to HMRC, VAT returns could still be considered incorrect in the event of a VAT inspection. | <p>Going forward, Climate change levy should be reported on a separate return as this should not form part of the standard VAT return,</p> <p>Postponed VAT should be included in box 7, not box 6. We understand this has already been rectified from Q3 onwards.</p> |

ADJUSTED MISSTATEMENTS

| DETAILS | P&L ACCOUNT (£) | | BALANCE SHEET (£) | | P&L EFFECT (£) |
|------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------|-------------------|-----------|-----------------|
| | DR | CR | DR | CR | |
| Profit per trial balance | | | | | 4,214,421 |
| <i>Late adjustment – vehicle camera provision</i> | | | | | <u>(74,622)</u> |
| Revised profit per draft accounts | | | | | 4,139,799 |
| DR - Pension asset | | | 5,057,000 | | |
| CR - Unrecognised gains | | 4,281,000 | | | 4,281,000 |
| CR - Employer pension contributions | | 758,000 | | | 758,000 |
| CR - Interest income | | 18,000 | | | 18,000 |
| <i>Being to provide for defined benefit pension scheme actuarial valuation</i> | | | | | |
| DR - Turnover | 2,330,000 | | | | (2,330,000) |
| CR - Cost of Sales | | 2,354,000 | | | 2,354,000 |
| CR - Accrued Income | | | | 2,330,000 | |
| DR - Accruals | | | 2,354,000 | | |
| CR - Turnover | | 4,687,000 | | | 4,687,000 |
| DR - Cost of Sales | 4,787,000 | | | | (4,787,000) |
| DR - Accrued Income | | | 4,687,000 | | |
| CR - Accruals | | | | 4,787,000 | |
| <i>Being the adjustment to revenue in respect of March 23 sales recognised in FY24 and March 24 sales recognised in FY25</i> | | | | | |
| Profit per final accounts | | | | | 9,121,000 |

ADJUSTED MISSTATEMENTS - PRIOR YEAR

| DETAILS | P&L ACCOUNT (£) | | BALANCE SHEET (£) | | P&L EFFECT (£) |
|--------------------------------------------------------------------------------------------|-----------------|-----------|-------------------|-----------|-----------------|
| | DR | CR | DR | CR | |
| For year ended March 2022: | | | | | |
| CR - Reserves | | | | 97,000 | 97,000 |
| DR - Accrued Income | | | 1,377,000 | | |
| CR - Accruals | | | | 1,280,000 | |
| <i>Being the adjustment of gas revenue and cost of sales to reflect accounting policy.</i> | | | | | |
| For the year ended March 2023 | | | | | |
| DR - Turnover | 1,377,000 | | | | (1,377,000) |
| CR - Cost of Sales | | 1,280,000 | | | 1,280,000 |
| CR - Accrued income | | | | 1,377,000 | |
| DR - Accruals | | | 1,280,000 | | |
| CR - Turnover | | 2,330,000 | | | 2,330,000 |
| DR - Cost of Sales | 2,354,000 | | | | (2,354,000) |
| DR - Accrued Income | | | 2,330,000 | | |
| CR - Accruals | | | | 2,354,000 | |
| <i>Being the adjustment of gas revenue and cost of sales to reflect accounting policy.</i> | | | | | |
| Impact on retained earnings | | | | | (24,000) |

UNADJUSTED MISSTATEMENTS

| DETAILS | P&L ACCOUNT (£) | | BALANCE SHEET (£) | | P&L EFFECT (£) |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------|---------------------------|---------|------------------|
| | DR | CR | DR | CR | |
| CR - Trade debtors DR - Eduzone DR - Other group balance DR - ETL <i>Journal to reclass intercompany on aged debtors ledger</i> | | | 25,265 1,952 38,819 | 66,036 | |
| CR - Closing stock – B/S DR - Closing stock – P&L <i>Being the extrapolated error during the stock count at y/e (stock overstated)</i> | | 312,684 | 312,684 | | (312,684) |
| DR - Tax and Social Security CR - Pension Liability <i>Being the adjustment to separately disclose year end pension liability</i> | | | 249,011 | 249,011 | |
| DR - Accrued Income CR - Accruals <i>Being the adjustment to separately disclose year end pension liability</i> | | | 161,285 | 161,285 | |
| Impact on result for the year | | | | | (312,684) |

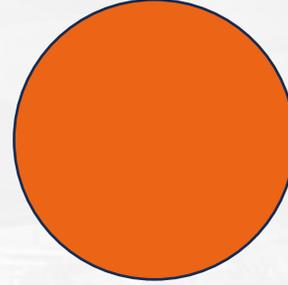
THANK YOU FROM THE TEAM



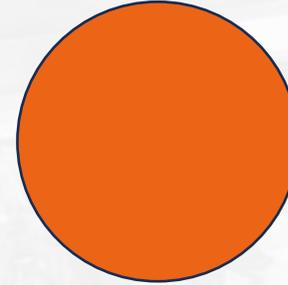
**RICHARD
BUCKBY**
DIRECTOR (RI)



**BEN
YOUNG**
PARTNER (RI)



**SALLY
COLLINS**
AUDIT MANAGER



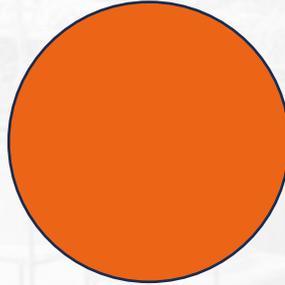
**SANA
MULLA**
AUDIT SENIOR



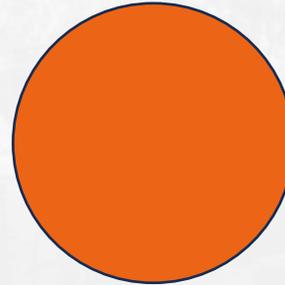
**MARK
KNIGHT-WHIDDETT**
AUDIT SENIOR



**JENSEN
HERRICK**
AUDIT EXECUTIVE



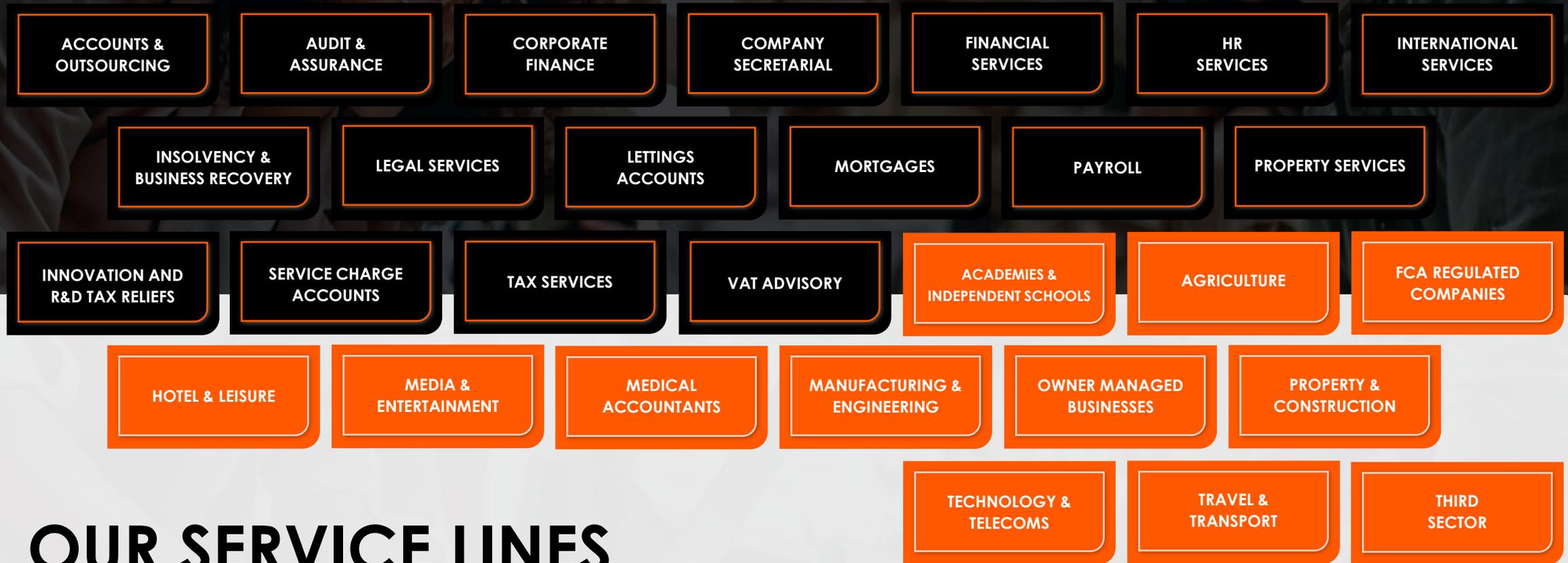
**KARAM
SANDHU**
AUDIT ASSISTANT



**VUYANI
DLOMO**
AUDIT ASSISTANT



**JAKOB
ADDO**
AUDIT SENIOR



OUR SERVICE LINES & SECTORS

As business advisors and accountants, we're able to provide our clients with a suite of services to meet the demands and growth needs of their business. By offering these services under a single brand, we're able to ensure the advice and support we provide to our clients is both comprehensive and joined up.

We also provide specialist expertise to a number of specific industry sectors.

OUR TC GROUP LOCATIONS

At TC Group, we offer the best of both worlds – a strong national presence combined with insight and understanding at a local level.

We recognise the importance of local knowledge, and our team of dedicated Business Advisors and Accountants are rooted in their communities, ensuring that we understand the challenges and opportunities you face at local, national, and even, international level.

With TC Group by your side, you'll also have access to our wider network of specialist business services, meaning no matter how complex your financial situation may be, we have the resources and expertise to help you navigate it successfully.



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